
Board Action Bulletin



Prepared by the Office of External Affairs

NCUA BOARD MEETING RESULTS FOR APRIL 14, 2005

MBL revision proposal issued

The NCUA Board issued a proposal to revise the Part 723 member business loans (MBL) rule to clarify minimum capital requirements a federally insured corporate credit union must meet to make unsecured MBLs. The proposal also revised the definition of “construction or development loans” and “net worth,” and solicited comment on how to enable credit unions to participate more fully in government guaranteed loan programs.

The proposal recommends the MBL rule note the capital requirements for federally insured corporate credit unions is 4 percent or a different minimum under special circumstances, as required by Section 704.3(d), (e) of *NCUA Rules and Regulations*.

As proposed, the definition of “construction or development loan” is broadened and the definition of “net worth” is made more consistent with how that term is defined elsewhere in NCUA’s rules.

Share Insurance Fund quarterly report

The National Credit Union Share Insurance Fund (NCUSIF) equity ratio was 1.29 percent at March 31, 2005, based on December 31, 2004, insured shares of \$500 billion.

During the first three months of 2005, NCUSIF gross income was \$35.4 million, net income was \$9.8 million, operating expense was \$18.1 million, and \$7.5 million was added to the provision for credit union losses (reserve) account. Reserves totaled \$73.5 million at the end of the first quarter, with \$23 million allocated for specific problem case credit unions.

Federally insured credit unions are currently submitting \$109.5 million to the NCUSIF for their 1 percent deposit adjustments based on year-end insured shares. In March, NCUSIF refunded \$51 million to credit unions with declines in insured shares in 2004.

Four federally insured credit unions failed during the first three months of 2005. The number of problem code 4 and 5 credit unions was 267, representing 0.90 percent of total insured shares at March 31, 2005. Of these institutions, 195 are under \$10 million in assets.

Guidance issued to safeguard member records

The NCUA Board finalized an amendment to rule Part 748, Security Programs, and issued guidance that may require some credit unions to modify existing administrative, technical and physical procedures for safeguarding member information.

Revised Part 748 requires federally insured credit union security programs to contain an element that responds to incidents of unauthorized access to member information. Developed with fellow federal financial regulators, the guidelines will assist credit unions craft or modify response procedures to address the increased number of attempts to breach member information systems, including member notices. The amendment requires credit

unions to include response elements within security programs to mitigate member risk due to loss or inconvenience arising from unauthorized access to member account information, including identity theft.

Votes are unanimous unless indicated.